



U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

**Summary Report on Significant Single
Audit Findings Impacting DOT Programs
for the 3-Month Period Ending
September 30, 2020**

Report No. SA2021009

December 2, 2020



Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending September 30, 2020

Self-Initiated

Office of the Secretary | SA2021009 | December 2, 2020

What We Looked At

We queried and downloaded 35 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between July 1, 2020 and September 30, 2020, to identify significant findings related to programs directly funded by the Department of Transportation (DOT).

What We Found

We found that reports contained a range of findings that impacted DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 8 grantees that require prompt action from DOT's Operating Administrations (OA). The auditors also identified questioned costs totaling \$25,838 for one grantee.

Recommendations

We recommend that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$25,838, if applicable.



Memorandum

Date: December 2, 2020

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending September 30, 2020 | Report No. SA2021009

From: Louis C. King 
Assistant Inspector General for Financial Audits

To: Deputy Assistant Secretary for Administration

The Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors' single audit¹ reports. These auditors are required to perform the audits in accordance with generally accepted Government auditing standards and the Office of Management and Budget's Uniform Guidance.² Over the past 3 fiscal years combined, an average of 347 single audit reports have been issued. These reports have included findings related to programs directly funded by the Department of Transportation (DOT).

We issue memoranda that summarize single audit reports' significant findings and recommendations that require priority action by DOT. When warranted, we also recommend that DOT recover funds that were inappropriately expended by non-Federal entities.

To identify findings that affect directly awarded DOT programs, we obtained 35 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse³ between July 1, 2020, and September 30, 2020. See the

¹ Single audits—required by the Single Audit Act of 1996, as amended—help Government agencies and auditors oversee the expenditure of Federal funds by non-Federal entities.

² Under Title 2 of the Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the auditor is required to render an opinion on the entity's financial statements, identify inappropriate use of Federal funds, and report internal control and compliance deficiencies that affect Federal grant programs.

³ The Federal Audit Clearinghouse Image Management System is a public database of completed single audits—<http://harvester.census.gov/facweb/>—maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.

table for a summary of significant single audit findings requiring DOT's most immediate attention.

We recommend that DOT

1. coordinate with impacted Operating Administrations (OA) to develop a corrective action plan to resolve and close the findings highlighted in this report; and
2. determine the allowability of the questioned transactions and recover \$25,838.00, if applicable.

See exhibits A through H for details on the auditees; the non-Federal auditors' findings, including areas of noncompliance; the conditions identified; and the non-Federal auditors' recommendations.

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve⁴ our recommendations, and provide a target action date for implementation. We will track the recommendations until DOT provides documentation of final action. We will consider the recommendations closed upon our review and concurrence. If you have any questions, please email them to singleauditrequest@oig.dot.gov.

cc: The Secretary
DOT Audit Liaison, M-1
DOT Appointee for Single Audits
DOT Single Audit Liaison
Deputy Assistant Secretary for Budget and Programs, B-1

⁴ Pursuant to DOT Memorandum, *Policy and Procedures for Expediting Action on Single Audit Report Recommendations* (2009).

Table. Summary of Significant Single Audit Findings Impacting DOT Programs

Non-Federal Entities and End Dates of Audited Fiscal Years	Independent Auditors	Areas of Noncompliance ^a	Independent Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
State of Hawaii, Honolulu, HI, June 30, 2019	KKDLY, LLC	Special Tests and Provisions	2019-002	N/A	A
City of Hattiesburg, Hattiesburg, MS, September 30, 2019	TMH	Procurement and Suspension and Debarment	2019-009	N/A	B
National Railroad Passenger Corporation and Subsidiaries, Washington, DC, September 30, 2019	Ernst & Young LLP	a. Reporting b. Equipment and Real Property Management	a. 2019-001 b. 2019-002	N/A	C
Town of Greenville, Greenville, ME, June 30, 2019	RHR Smith & Company	Procurement and Suspension and Debarment	2019-001	N/A	D
Alamosa County, Alamosa, CO, December 31, 2019	Wall, Smith, Bateman Inc.	Reporting	2019-002	N/A	E
City of Wray, Wray, CO, December 31, 2019	Lauer, Szabo & Associates, PC	a. Other b. Cash Management	a. 2019-001 b. 2019-002	\$ 25,838	F
Virgin Islands Port Authority, St. Thomas, VI, September 30, 2017 and 2016	BDO	a. Procurement and Suspension and Debarment b. Reporting	a. 2017-008 b. 2017-009	N/A	G
Standing Rock Sioux Tribe, Fort Yates, ND, September 30, 2019	MOSS ADAMS	Procurement and Suspension and Debarment	2019-006	N/A	H

^a 2 CFR Part 200, Appendix XI, Part 3, *Compliance Requirements*, identifies and describes the 12 types of compliance requirements.

^b Non-Federal auditor findings do not always result in questioned costs.

Source: Independent auditors' reports.

Exhibit A. State of Hawaii, Honolulu, HI

Independent Auditor: KKDLY, LLP

Report Date: July 6, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Programs: Federal Highway Administration (FHWA), Highway Planning and Construction

Finding Number: 2019-002

Compliance Requirement: Special Tests and Provisions

Condition: The independent auditor selected and tested a sample of 40 certified payroll reports. The independent auditor noted that 28 of the certified payroll reports were received after the 7-day deadline. The independent auditor also noted that although the Highways Division's certified payroll reports contained evidence of review, there was no consistent method followed to document who the reviewer was and/or the date that the review was performed.

Independent Auditor's Recommendation: The independent auditor recommends that the Highways Division adhere to its internal policy requiring project engineers to obtain and review certified payroll reports on a timely basis (i.e., within 7 days after the pay checks are disbursed) to determine that the contractor or subcontractor is complying with the prevailing wage rate requirement. Additionally, the independent auditor recommends that the Highways Division develop standardized procedures to document the date and time of receipt of the certified payroll reports, as well as the review and approval of those certified payroll reports by project engineers.

Exhibit B. City of Hattiesburg, Hattiesburg, MS

Independent Auditor: TMH

Report Date: June 24, 2020

Fiscal Year Ending: September 30, 2019

Applicable DOT Operating Administration and Program: Federal Transit Administration (FTA), Federal Transit Formula Grants

Finding Number: 2019-009

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The City did not have adequate internal control procedures in place to monitor compliance with the Federal debarment and suspension regulations for contracts and sub-awards.

Independent Auditor's Recommendation: The independent auditor recommends that the City should implement procedures to ensure compliance with the debarment and suspension regulations for contracts related to Federal programs.

Exhibit C. National Railroad Passenger Corporation and Subsidiaries (Amtrak), Washington, DC

Independent Auditor: Ernst & Young LLP

Report Date: January 28, 2020

Fiscal Year Ending: September 30, 2019 and 2018

Applicable DOT Operating Administration and Program: Federal Railroad Administration (FRA)

Finding Number: 2019-001

Compliance Requirement: Reporting

Condition: The independent auditor identified that the award amount expended as of September 30, 2019, for FR-AMT-0014-18 had included \$10.9 million of expenditures that were initially allocated to this award; however, later within the fiscal year they were reprogrammed to FR-AMT-0015-18 and appropriately recorded. Upon this transfer, \$10.9 million was not excluded from FR-AMT-0014-18 records and, as such, was recorded twice within the SEFA. Amtrak subsequently provided an updated schedule which correctly reflected the \$10.9 million transfer.

Also, the independent auditor, as part of the procedures relating to testing requirement of Sections A, B, and H (Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance, respectively), Amtrak provided multiple iterations of the expenditure populations for awards in scope, which were used to support the amount reported on the SEFA. In preparation of the expenditure populations, Amtrak improperly initially included reversals of expenses that were posted in error and expenses that were incurred out of period. Subsequently, Amtrak was able to provide corrected updated populations that excluded these reversals and out of period expenses.

Independent Auditor's Recommendation: The independent auditor recommends that a process be established that would allow Amtrak to identify and review underlying populations of expenditures at a transaction level that support the amounts disclosed on the SEFA.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: FRA

Finding Number: 2019-002

Compliance Requirement: Equipment and Real Property Management

Condition: For three of the equipment samples reviewed, the independent auditor observed that for two of them the serial numbers on the selected assets at the physical location could not be matched against the serial number indicated in the accounting records, and one asset number, as indicated per the records, did not match the asset number on the equipment observed.

The independent auditor also observed that for three of the sampled equipment assets, the Condition data or Location field in the asset records was blank and for fifteen equipment samples the Location field per the asset records did not match the actual physical location of the asset. This was due to the assets records not being updated in a timely manner with the actual status of the equipment in the field.

During the procedures performed for two assets, the independent auditor identified that no inventory had occurred for the asset even though it had been placed in service over two years prior and would have required an inventory prior to our observation. As this came to the audit's attention after the inventory was required and during our observation procedures, it was investigated further and could not obtain alternative evidence to support that an inventory had occurred within the two-year period.

Independent Auditor's Recommendation: The independent auditor recommends that Amtrak continue to work toward a full integration or reconciliation between PowerPlan and the different equipment-tracking systems. The independent auditor also recommends that management consider redesigning one of its key controls to help ensure that the monitoring of the observations is occurring on a preventive basis to help identify any exposure to non-compliance before it occurs. In the interim, until such processes are fully implemented, Amtrak should enhance the current control procedures surrounding the asset documentation and ensure that field personnel are aware of and consistently and carefully update the asset records such that clerical/human errors are minimized and that the asset records contain the necessary asset details in order to properly track equipment by Federal requirements.

Exhibit D. Town of Greenville, Greenville, ME

Independent Auditor: RHR Smith & Company

Report Date: July 24, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Program: Federal Aviation Administration (FAA), Airport Improvement Program (AIP)

Finding Number: 2019-001

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During audit procedures, the independent auditor identified that the Town did not follow their own contractual provisions. The Town paid the contractor prior to any work being completed and subsequently reviewed by the Responsible Town Official.

Independent Auditor's Recommendation: The independent auditor recommends that the Town implement internal control processes and procedures to ensure that contractual provisions are being followed and to avoid unallowable costs to be incurred.

Exhibit E. Alamosa County, Alamosa, CO

Independent Auditor: Wall, Smith, Bateman Inc.

Report Date: August 24, 2020

Fiscal Year Ending: December 31, 2019

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2019-002

Compliance Requirement: Reporting

Condition: The Federal share of unliquidated obligations of \$224,927 for the remaining retainage was not reported.

Independent Auditor's Recommendation: The independent auditor recommends that the County should strengthen its internal controls with adopted policies and procedures to ensure accurate financial reporting in compliance with Airport Improvement Program requirements.

Exhibit F. City of Wray, Wray, CO

Independent Auditor: Lauer, Szabo & Associates, PC

Report Date: July 29, 2020

Fiscal Year Ending: December 31, 2019

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2019-001

Compliance Requirement: Other

Condition: Costs submitted for reimbursement are not required to be reviewed to determine whether or not they have been paid for with entity funds before reimbursement is requested from the Federal Government. Because of the failure to require these reviews, there is a possibility that costs could be claimed for reimbursement before being paid.

Independent Auditor's Recommendation: The independent auditor recommends that the City should implement procedures to ensure that costs have been paid prior to being submitted for reimbursement.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2019-002

Compliance Requirement: Cash Management

Condition: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. The entity has not complied with this requirement.

Independent Auditor's Recommendation: The independent auditor recommends that the City should implement procedures to ensure that costs have been paid prior to being submitted for reimbursement.

Identified Questioned Costs: \$25,838

Exhibit G. Virgin Islands Port Authority, St. Thomas, VI

Independent Auditor: BDO

Report Date: September 30, 2019

Fiscal Year Ending: September 30, 2017 and 2016

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2017-008

Compliance Requirement: Procurement and Suspension and Debarment

Condition: In review of two (2) procurement transactions meeting the test threshold, the independent auditor noted the first selected transaction did not have sufficient supporting documents available to validate the procurement decisions made, including evidence of a debarment search of the contractor, along with certain Airport Improvement Program grant specific required clauses; and the second selected transaction did not have evidence that a debarment search of the contractor had been conducted and that an Airport Improvement Program grant specific required clause had been included.

Independent Auditor's Recommendation: The independent auditor recommends that the Authority follow its internal controls to ensure adherence to Federal regulations relating to the procurement of goods and services. There should be timely coordination and communication amongst all departments that are responsible for handling and managing procurement tasks.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2017-009

Compliance Requirement: Reporting

Condition: During review of the financial reports expected to be filed with the grantor agency, the independent auditor noted that the Authority had failed to prepare and submit the annual SF-425 reports for all grant awards. Additionally, the independent auditor selected 3 out of the 15 required programmatic reports and noted 2 instances where the selected reports were not available for review.

Independent Auditor's Recommendation: The independent auditor recommends that the Authority reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Exhibit H. Standing Rock Sioux Tribe, Fort Yates, ND

Independent Auditor: MOSS ADAMS, LLP

Report Date: August 21, 2020

Fiscal Year Ending: September 30, 2019

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2019-006

Compliance Requirement: Procurement and Suspension and Debarment

Condition: Out of a population of 3 vendors that totaled \$1,678,247, the independent auditor randomly selected 2 vendors for testing that totaled \$1,639,197. There was no evidence of bids received for 1 out of 2 vendors tested that totaled \$1,386,775. Additionally, 2 out of 2 vendors receiving over \$25,000 had no support that a suspension and debarment check was performed before entering into the transaction. None of the vendors tested were suspended or debarred.

Independent Auditor's Recommendation: The independent auditor recommends that established procurement policies and procedures should be enforced requiring bid documentation be retained. Use of a centralized procurement function should also be considered, to help ensure consistency in procurement. Furthermore, the Tribe should include suspension and debarment requirements in its procurement policies and training should be provided for all personnel involved in procurement, for this and other Federal regulations applicable to the use of Federal grant and contract funds.

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Our Mission

OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.

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